

MINUTE ITEM

This Calendar Item No. 24
was approved as Minute Item
24 by the State Lands
Commission by a vote of 3
to 0 at its 8-1-91
meeting.

MINUTE ITEM

24

W 17099

G. Scott

1991-92 PLAN OF DEVELOPMENT
AND OPERATIONS AND BUDGET, LONG BEACH UNIT
WILMINGTON OIL FIELD, LOS ANGELES COUNTY

Paul Mount, Acting Chief of the Mineral Resources Management Division, presented Calendar Item 24 to the Commission.

After a brief discussion, Calendar Item 24 was amended to leave the new well and redrill approval process on a six month plan with a review in four months.

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05/01/91

S 29

W 17069

G. Scott

1991-92 PLAN OF DEVELOPMENT
AND OPERATIONS AND BUDGET, LONG BEACH UNIT
WILMINGTON OIL FIELD, LOS ANGELES COUNTY

Section 5, Chapter 138, Statutes of 1964, 1st. E.S., and Article 4 of the Long Beach Unit Agreement require adoption by the City of Long Beach of an annual Plan of Development and Operations and Budget for the Long Beach Unit. The Plan and Budget is then to be submitted to the State Lands Commission at least 100 days prior to submission to the participants of the Long Beach Unit before the start of the Plan Year on July 1, 1991.

The Commission has 45 days after submittal to take action. If no action is taken, the Plan and Budget is deemed to be approved as submitted. The Commission may affirmatively approve the Plan and Budget or modify it after holding a formal hearing. Under Section 5(g) of Chapter 138, the Plan and Budget may be modified upon mutual agreement by the City and the Commission after its adoption.

The City Council of the City of Long Beach at its meeting on March 5, 1991, adopted this proposed Plan of Development and Operations and Budget for 1991-92, and authorized its submittal to the State Lands Commission for consideration and approval. The Plan and Budget was submitted to the State by the City on March 19, 1991.

As presented, the 1991-92 Long Beach Unit Plan and Budget provides for expenditures of \$169,415,000. The six budget programs are as follows:

(Thousand of Dollars)

	<u>PROGRAM</u>	<u>INVESTMENTS</u>	<u>EXPENSE</u>	<u>ADMINIS- TRATIVE OVERHEAD</u>	<u>TOTAL</u>
A.	Drilling & Development	15,190	17,133	1,293	33,616
B.	Oil & Gas Production	7,077	60,710	2,711	70,498
C.	Enhanced Recovery and Stimulation	-0-	-0-	-0-	-0-
D.	Water Injection	2,170	23,244	930	26,344
E.	Management	2,331	20,844	927	24,102
F.	Taxes, Permits, and Land Rents	-0-	14,767	88	14,855
		<u>26,768</u>	<u>136,698</u>	<u>5,949</u>	<u>169,415</u>

CALENDAR ITEM NO. 24 (CONT'D)

Exhibits C-3 and C-4 to the Plan show anticipated production rates, expenditures, revenues and net profit for the Unit as projected by the City of Long Beach Department of Oil Properties. The City has estimated that the Unit will generate a net revenue of \$107,865,000 based on an average production rate of 46,340 barrels per day at an average oil price of \$16.00 a barrel.

The Plan and Budget was developed in late 1990. The Plan and Budget submitted by the City was prepared at the time when oil prices were above \$20.00 per barrel, and forecasting a budget of \$16.00 per barrel appeared to be conservative at that time. Since then, however, oil prices dropped dramatically, and for the past month have stayed below \$14.00 per barrel. The expenditure level of this Plan and Budget appears high based on the City's projected oil price of \$16.00 per barrel, particularly now that Long Beach Unit oil is currently at \$13.75 per barrel. The Commission staff has identified several projects in the 1991-92 Plan and Budget which can be deferred, reduced, or deleted, to reflect a spending level which is more economically justified at a lower oil price rate. The Commission staff has been working with the City, and have jointly agreed on a five million dollar reduction of expenditures in the 1991-92 Plan and Budget which will be presented for Commission approval in June, 1991 as the First Modification of the Long Beach Unit Plan and Budget. This reduction in budgeted expenditures will not affect the rate of oil production.

The City is also proposing to change the new well and redrill approval process from a four month schedule period, to a six month schedule period. The Commission staff believes the six months approval process creates a drilling schedule which is too long, and will be too rigid to respond to short term changes in field performance. The Commission staff prefers to maintain the established four month approval process, and is working with the City to agree to include this item in the First Modification of the Budget for Commission approval in June, 1991.

Although there are other differences between the State and City staffs on certain elements in the Plan and certain budgeted funds, past experience has demonstrated that operational realities often reconcile differences in budget predictions. During the year, after more detailed plans and economic justifications have been made, resolutions will be accomplished. The majority of these will be handled in the Unit Engineering and Voting Party Committees.

AB 884:
N/A.

CALENDAR ITEM NO. 24 (CONT'D)

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Code Regs. 15061), the staff has determined that this activity is exempt from the requirements of CEQA because the activity is not a "project" as defined by CEQA and the State CEQA Guidelines.

Authority: P.R.C. 21065 and 14 Cal. Code Regs. 15378.

EXHIBITS:

None.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF CEQA PURSUANT TO 14 CAL. CODE REGS. 15061 AS A STATUTORY EXEMPT PROJECT PURSUANT TO P.R.C. 21169 AND 14 CAL. CODE REGS. 15261, AN ACTIVITY INVOLVING AN ONGOING PROJECT.
2. APPROVE THE 1991-92 LONG BEACH UNIT PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET. THIS APPROVAL IS CONDITIONAL UPON SUBMISSION BY THE CITY OF LONG BEACH TO THE STATE LANDS COMMISSION FOR APPROVAL OF THE FIRST MODIFICATION TO THE 1991-92 PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET THAT REVISE DOWNWARD THE 1991-92 PLAN AND BUDGET EXPENDITURES AND REDUCE THE NEW WELL AND REDRILL APPROVAL PROCESS FROM SIX MONTHS TO FOUR MONTHS.